

GABELMANN & ASSOCIATES, P.C.

Certified Public Accountants

The Board of Directors
River Bend Transit:

In planning and performing our audit of the financial statements of River Bend Transit as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered River Bend Transit's internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of River Bend Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of River Bend Transit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in River Bend Transit's internal control to be a significant deficiency:

River Bend Transit has one person with primary responsibility for the direct and final significant accounting functions. From an internal control standpoint, this combination of duties is not conducive to adequate segregation of duties to prevent losses from error or fraud.

This communication is intended solely for the information and use of the Board of Directors and management of the River Bend Transit and is not intended to be and should not be used by anyone other than these specified parties.

Bettendorf, Iowa
October 14, 2016

Gabelmann & Associates, P.C.

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Certified Public Accountants

October 14, 2016

The Board of Directors
River Bend Transit:

We have audited the financial statements of River Bend Transit for the year ended June 30, 2016, and have issued our report thereon dated October 14, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated May 5, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you of your responsibilities.

In planning and performing our audit, we considered River Bend Transit's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

As part of obtaining reasonable assurance about whether River Bend Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by River Bend Transit are described in Note 1 to the financial statements. The application of existing policies was not changed during the fiscal year ended June 30, 2016. We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

1. Management's estimate of reversionary interest, which is based on the unexpired value of the federally funded portion of assets or the federally funded percentage of the proceeds from the sale of assets that would revert back to Iowa Department of Transportation (IDOT) in the event that such assets were no longer used for intended purposes. We evaluated the key factors and assumptions used to develop the temporarily restricted net asset balance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

1. The disclosure of major contracted service customers in Note 9 to the financial statements.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors of River Bend Transit and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,

Gabelmann & Associates, P.C.

RIVER BEND TRANSIT
Independent Auditor's Reports
Financial Statements
Supplementary Information
Schedule of Findings
June 30, 2016 and 2015

RIVER BEND TRANSIT

Table of Contents

	<u>Page</u>
Board of Directors and Agency Administration	1
Independent Auditor's Report	2-3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5-6
Statements of Cash Flows	7
Statements of Functional Expenses	8-9
Notes to Financial Statements	10-17
Supplementary Information:	
Schedule of Expenditures of Federal Awards	18
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19-20
Schedule of Findings	21-22

RIVER BEND TRANSIT

Board of Directors and Agency Administration

<u>Board of Directors</u>	<u>Title</u>	<u>Term Expires</u>	<u>Address</u>
Doug Lindstrom	Chairperson	June 2017	Bettendorf, Iowa
Dolores Bergert	Vice-Chairperson	June 2017	Charlotte, Iowa
Scott Sauer	Secretary	December 2016	Muscatine, Iowa
Jeanne Bragg	Treasurer	June 2017	Davenport, Iowa
Ronald Boesch	Past-Treasurer	June 2016	Charlotte, Iowa
Tom Carnahan	Past-Chairperson	June 2016	Davenport, Iowa
Judy Kaeser	Past-Member	June 2016	Tipton, Iowa
Bernie Peeters	Member	December 2016	Eldridge, Iowa
Dawn Smith	Member	December 2016	Durant, Iowa
Bob Fox	Member	June 2017	Bettendorf, Iowa
Tina Plett-Kalainoff	Member	June 2017	Davenport, Iowa
<u>Agency Administration</u>			
Randy Zobrist	Executive Director/CEO		Davenport, Iowa
Sherli Childers	Director of Finance/Human Resources/Contracts		Bettendorf, Iowa

Independent Auditor's Report

The Board of Directors
River Bend Transit:

Report on the Financial Statements

We have audited the accompanying financial statements of River Bend Transit (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015 and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River Bend Transit as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with generally accepted accounting principles accepted in the United States of America.

Change in Accounting Method

As discussed in Note 1(d) to the financial statements, River Bend Transit changed its method of accounting for inventory costs in 2015. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016 on our consideration of River Bend Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering River Bend Transit's internal control over financial reporting and compliance.

Bettendorf, Iowa
October 14, 2016

Gabelmann & Associates, P.C.

RIVER BEND TRANSIT

Statements of Financial Position

June 30, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents (note 2)	\$ 531,887	\$ 386,514
Receivables	310,813	270,764
Investments (note 3)	3,554,673	3,542,733
Inventory (note 1(d))	32,603	36,967
Prepaid expenses	<u>113,622</u>	<u>105,190</u>
Total current assets	<u>4,543,598</u>	<u>4,342,168</u>
Property and equipment (notes 4 and 6):	7,423,909	7,163,026
Less accumulated depreciation	<u>4,898,875</u>	<u>4,846,146</u>
Net property and equipment	<u>2,525,034</u>	<u>2,316,880</u>
Total assets	<u>\$7,068,632</u>	<u>\$6,659,048</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 618,224	\$ 84,547
Accrued salaries and payroll taxes	31,386	70,436
Accrued vacation and sick leave (note 5)	<u>89,150</u>	<u>85,900</u>
Total liabilities	<u>738,760</u>	<u>240,883</u>
Net assets:		
Temporarily restricted (note 6)	<u>987,781</u>	<u>1,157,845</u>
Unrestricted:		
Undesignated	5,056,591	4,963,620
Board designated	<u>285,500</u>	<u>296,700</u>
Total unrestricted net assets	<u>5,342,091</u>	<u>5,260,320</u>
Total net assets	<u>6,329,872</u>	<u>6,418,165</u>
Total liabilities and net assets	<u>\$7,068,632</u>	<u>\$6,659,048</u>

See accompanying notes to financial statements.

RIVER BEND TRANSIT
Statements of Activities
Years Ended June 30, 2016 and 2015

	2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Service contracts	\$1,322,895	\$ -	\$1,322,895
User fees	629,647	-	629,647
Operating grants, federal	270,229	-	270,229
Operating grants, state	363,867	-	363,867
Capital grants	-	-	-
Contributions and other grants	174,842	-	174,842
Interest and dividends	87,101	-	87,101
Fuel tax refund	12,677	-	12,677
Training fellowship refund	5,952	-	5,952
Net realized (loss) gain on investments	(32,204)	-	(32,204)
Net unrealized (loss) gain on investments	(25,249)	-	(25,249)
Gain (loss) on sale of equipment	14,855	-	14,855
Net assets released from restrictions:			
Satisfaction of time or use restrictions	<u>170,064</u>	<u>(170,064)</u>	<u>-</u>
Total revenue and support	<u>2,994,676</u>	<u>(170,064)</u>	<u>2,824,612</u>
Expenses:			
Program expenses	2,127,574	-	2,127,574
Management and general expenses	<u>785,331</u>	<u>-</u>	<u>785,331</u>
Total expenses	<u>2,912,905</u>	<u>-</u>	<u>2,912,905</u>
Increase (decrease) in net assets	81,771	(170,064)	(88,293)
Net assets, beginning of year	<u>5,260,320</u>	<u>1,157,845</u>	<u>6,418,165</u>
Net assets, end of year	<u>\$5,342,091</u>	<u>\$ 987,781</u>	<u>\$6,329,872</u>

See accompanying notes to financial statements.

2015

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$1,314,721	\$ -	\$1,314,721
498,607	-	498,607
380,746	-	380,746
349,592	-	349,592
-	328,867	328,867
11,328	-	11,328
87,676	-	87,676
9,120	-	9,120
6,731	-	6,731
25,236	-	25,236
847	-	847
(15,580)	-	(15,580)
<u>328,200</u>	<u>(328,200)</u>	<u>-</u>
<u>2,997,224</u>	<u>667</u>	<u>2,997,891</u>
2,071,774	-	2,071,774
<u>749,563</u>	<u>-</u>	<u>749,563</u>
<u>2,821,337</u>	<u>-</u>	<u>2,821,337</u>
175,887	667	176,554
<u>5,084,433</u>	<u>1,157,178</u>	<u>6,241,611</u>
<u>\$5,260,320</u>	<u>\$1,157,845</u>	<u>\$6,418,165</u>

RIVER BEND TRANSIT

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$(88,293)	\$176,554
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	409,269	456,117
(Gain) loss on sale of property and equipment	(14,885)	15,580
Net gain on investments, realized and unrealized	57,453	(26,083)
Capital grants	-	(328,867)
(Increase) decrease in receivables	(40,049)	13,288
Decrease (increase) in inventory	4,364	(36,967)
(Increase) decrease in prepaid expenses	(8,432)	(44,446)
Increase (decrease) in accounts payable	533,677	(33,157)
(Decrease) increase in accrued expenses	(35,800)	<u>20,591</u>
Net cash provided by operating activities	<u>817,304</u>	<u>212,610</u>
Cash flows from investing activities:		
Proceeds from sale of transportation equipment	14,885	6,785
Purchase of property and equipment	(122,447)	(474,509)
Invested in assets not yet in service	(494,976)	-
Purchase of investments	(615,960)	(708,761)
Proceeds from maturity and sale of investments	<u>546,567</u>	<u>638,832</u>
Net cash used by investing activities	<u>(671,931)</u>	<u>(537,653)</u>
Cash flows from financing activities –		
Proceeds from grants restricted for property and equipment acquisitions	<u>-</u>	<u>328,867</u>
Net (decrease) increase in cash and cash equivalents	145,373	3,824
Cash and cash equivalents, beginning of year	<u>386,514</u>	<u>382,690</u>
Cash and cash equivalents, end of year	<u>\$ 531,887</u>	<u>\$386,514</u>

See accompanying notes to financial statements.

RIVER BEND TRANSIT

Statements of Functional Expenses

Years Ended June 30, 2016 and 2015

	2016		
	<u>Program Expenses</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 957,628	\$ 515,646	\$1,473,274
Payroll taxes and fringe benefits	108,968	53,671	162,639
Telephone	16,631	10,193	26,824
Fuel	299,186	-	299,186
Repairs and maintenance	152,976	47,714	200,690
Insurance	196,240	4,537	200,777
Travel and conferences	-	11,450	11,450
Board events	-	4,360	4,360
Professional services	9,609	47,858	57,467
Supplies	9,425	3,990	13,415
Utilities	8,614	5,279	13,893
Depreciation	352,842	56,427	409,269
Advertising	9,626	-	9,626
Investment fees	-	17,256	17,256
Other	<u>5,829</u>	<u>6,950</u>	<u>12,779</u>
Total	<u>\$2,127,574</u>	<u>\$ 785,331</u>	<u>\$2,912,905</u>

See accompanying notes to financial statements.

2015

<u>Program Expenses</u>	<u>Management and General</u>	<u>Total</u>
\$ 897,915	\$ 452,498	\$1,350,413
86,010	77,808	163,818
17,152	10,513	27,665
325,579	-	325,579
98,548	49,812	148,360
185,897	4,521	190,418
-	8,384	8,384
-	1,652	1,652
10,146	64,314	74,460
14,778	8,073	22,851
9,171	5,621	14,792
411,837	44,280	456,117
10,750	-	10,750
-	17,907	17,907
<u>3,991</u>	<u>4,180</u>	<u>8,171</u>
<u>\$2,071,774</u>	<u>\$ 749,563</u>	<u>\$2,821,337</u>

RIVER BEND TRANSIT
Notes to Financial Statements
June 30, 2016 and 2015

(1) Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

River Bend Transit (the Organization) provides transportation services for the elderly, disabled and general public of Scott, Muscatine, Clinton, Cedar and Johnson (beginning August 2015) counties in Iowa and Rock Island County in Illinois.

Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization's cash and cash equivalents consist of cash held in checking and savings accounts. All amounts deposited into the investment accounts with a trust department and all certificates of deposit, regardless of maturity, are excluded from cash equivalents.

(b) Receivables

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. It is management's belief that no allowance for doubtful accounts was necessary as of June 30, 2016 and 2015. There was no bad debt expense for the years ended June 30, 2016 and 2015.

Payment terms are negotiated for each service contract, therefore, a receivable is considered to be past due if any portion of the receivable balance is outstanding in excess of contracted terms. Interest is not charged on past due receivables.

(c) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices (Level 1). Investment income or loss, including interest and dividends and realized and unrealized gains and losses on investments, is included in the statement of activities as increases or decreases in unrestricted net assets.

RIVER BEND TRANSIT
Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(d) Change in Accounting for Inventory

At June 30, 2015, management changed the Organization's method of accounting for all of its inventory for repair and maintenance items from expending all items when purchased to accounting for such items on a lower of cost or market basis (net realized value). Management believes accounting for spare repair and maintenance items will more accurately reflect the cost of repairs and maintenance and the required levels of such items to properly maintain the fleet of vehicles.

The change and its effect on the increase in net assets for the year ended June 30, 2015 was as follows:

Increase in net assets before the change	\$139,587
Reduction in expenses due to the change	<u>36,967</u>
Increase in net assets after the change	<u>\$176,554</u>

Management has not retrospectively applied this change to the prior year's financial statements as such amounts were not available.

(e) Property and Equipment

Property and equipment are stated at cost. Assets received as gifts and contributions are stated at their fair values at the date of receipt. Depreciation for radios and office equipment is computed on a straight-line basis over the estimated useful lives of the assets which range from five to seven years. Depreciation for transportation equipment is computed on a straight-line basis over the estimated useful life of seven years. Depreciation for the building is computed on a straight-line basis over the estimated useful life of thirty years. Depreciation for building improvements is computed on a straight-line basis over the estimated useful lives of the assets which range from fifteen to thirty years. Depreciation for the land improvements is computed on the straight-line basis over the estimated useful life of fifteen years.

(f) Classes of Net Assets

The financial statements report amounts by the following class of net assets:

Unrestricted net assets represent those net assets that the Organization may use at its discretion without restriction. Board designated unrestricted net assets represent amounts designated for the future acquisition of property and equipment.

RIVER BEND TRANSIT

Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(f) Classes of Net Assets, continued

Temporarily restricted net assets represent the percentage of property and equipment acquired with federally funded capital grants that are subject to reversionary interest (note 6). As capital grants are expended for the intended purpose or as the reversionary interest in federally funded property and equipment expires by passage of time or use, the amount expended or expired is reclassified to unrestricted net assets.

(g) Revenues, Support and Expenses

Revenues and expenses of the Organization are recognized on the accrual basis. Revenue is recognized in the accounting period in which it becomes measurable. Expenses are recognized in the accounting period in which the liability is incurred, if measurable.

The Organization receives a majority of its revenues from federal and state of Iowa grants and contracts. The Organization also receives payments from users of its transportation services. Operating grants are accounted for as exchange transactions and recognized as revenue in the period in which all contractual requirements of the grant agreement have been fulfilled. Capital grants are recognized as temporarily restricted revenue until the assets are purchased or the reversionary interest in the assets purchased expires (note 6). Contributions received are recognized as revenue at their fair value in the period received.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization records and classifies all project income as unrestricted when the donor restrictions are satisfied in the same reporting period as received.

(h) Allocation of Functional Expenses

The Organization allocates expenses to supporting services based upon estimated time spent by employees for wages and fringe benefits, and estimated and actual use for other expenses.

RIVER BEND TRANSIT
Notes to Financial Statements

(1) Nature of Organization and Summary of Significant Accounting Policies, continued

Summary of Significant Accounting Policies, continued

(i) Use of Estimates

The preparation of financial statements, in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(j) Income Tax Status

River Bend Transit is a nonprofit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management has determined that the Organization does not have any income tax positions that expose the Organization to uncertainty that are required to be recorded or disclosed in accordance with the provisions of FASB ASC 740, "Income Taxes".

(k) Fair Value Measurements

The Organization has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 "Fair Value Measurements and Disclosures" which defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurement.

(2) Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Wells Fargo:		
Checking account	\$ 41,545	\$ 69,979
Savings account	490,217	316,410
Petty cash	<u>125</u>	<u>125</u>
	<u>\$531,887</u>	<u>\$386,514</u>

RIVER BEND TRANSIT
Notes to Financial Statements

(3) Investments

Investments consist of the following at June 30, 2016 and 2015:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
June 30, 2016:			
Money market mutual funds	\$ 61,998	\$ 61,998	\$ -
Debt securities	1,622,233	1,619,510	(2,723)
Convertible securities	23,495	25,550	2,055
Equity securities	<u>1,183,009</u>	<u>1,847,615</u>	<u>664,606</u>
	<u>\$2,890,735</u>	<u>\$3,554,673</u>	<u>\$ 663,938</u>
June 30, 2015:			
Money market mutual funds	\$ 39,035	\$ 39,035	\$ -
Debt securities	1,640,048	1,594,637	(45,411)
Convertible securities	23,495	25,140	1,645
Equity securities	<u>1,150,811</u>	<u>1,883,921</u>	<u>733,110</u>
	<u>\$2,853,389</u>	<u>\$3,542,733</u>	<u>\$ 689,344</u>

The investments of the Organization are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

The investments as of June 30, 2016 and 2015 were invested in two separate investment accounts as follows:

	<u>2016</u>	<u>2015</u>
Agency Reserve Account	\$1,023,251	\$ 995,542
Agency Investment Account	<u>2,531,422</u>	<u>2,547,191</u>
	<u>\$3,554,673</u>	<u>\$3,542,733</u>

The Board of Directors has designated investments of \$285,500 and \$296,700 as of June 30, 2016 and 2015, respectively, primarily for future property and equipment acquisitions.

RIVER BEND TRANSIT

Notes to Financial Statements

(4) Property and Equipment

Property and equipment consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 82,220	\$ 82,220
Office equipment	393,827	375,574
Transportation equipment and accessories	4,071,627	4,344,716
Transportation equipment not yet in service	494,976	-
Building	1,426,266	1,426,266
Building improvements	387,990	367,247
Land improvements	<u>567,003</u>	<u>567,003</u>
	<u>\$7,423,909</u>	<u>\$7,163,026</u>

The Organization's policy is to periodically review the estimated useful lives of its property and equipment.

Total depreciation expense for 2016 and 2015 was \$409,269 and \$456,117, respectively.

(5) Accrued Compensated Absences

Regular employees accumulate vacation leave hours for subsequent use or for payment upon termination. Vacation leave is accumulated at a rate of five days after one year of service, ten days after two years of service and eleven days after six years of service with one additional day each year thereafter up to a maximum of twenty days. Employees may accumulate these hours up to a maximum of 240 hours or thirty days.

All regular employees accumulate sick leave hours at a rate of five days per year and may accumulate these hours up to a maximum of 720 hours, or ninety days. Upon termination employees will receive payment for one-third of the accumulated sick leave, not to exceed thirty days. The vested portion of the accumulated sick leave has been accrued as a liability in the statements of financial position, while the unvested portion represents a contingent liability of \$56,633 and \$52,990 as of June 30, 2016 and 2015, respectively.

RIVER BEND TRANSIT

Notes to Financial Statements

(6) Reversionary Interest and Temporarily Restricted Net Assets

The Organization received federal grant funds from the U.S. Department of Transportation passed through the Iowa Department of Transportation (IDOT) for the acquisition of equipment and the construction of its facility. The Organization holds the title to these assets, however, IDOT holds a reversionary interest in the federally funded portion of these assets. That is, the assets or the federally funded percentage of the proceeds from the sale of the assets would revert back to or be redirected by IDOT in the event the assets were no longer used for the purposes of providing transportation services to the elderly, disabled and the general public.

The reversionary interest expires on the transportation equipment if they are driven at least four years or have been driven more than 100,000 miles (federal requirement), or 120,000 miles (state requirement). The reversionary interest expires on office equipment and transportation equipment accessories evenly throughout the course of their useful lives which range from five to seven years. The reversionary interest on the facility does not expire and requires the payment of the federally funded percentage of the fair value of the facility at the time it ceases to be used for its intended purpose.

Temporarily restricted net assets at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Reversionary interest:		
Transportation equipment	\$ 269,925	\$ 386,022
Office equipment and transportation equipment accessories	22,378	43,422
Facilities and facility improvements	<u>695,478</u>	<u>728,401</u>
Temporarily restricted net assets	<u>\$ 987,781</u>	<u>\$1,157,845</u>

(7) Employee Benefit Plan

The Organization offers a Simple IRA plan covering all employees who are reasonably expected to earn at least \$5,000 in compensation for the calendar year. All eligible employees have the opportunity to set aside a portion of their annual salary, not to exceed limits defined in the Internal Revenue Code, before federal and state withholding taxes. In addition, the Organization matches up to 3% of the employee's annual salary contributed. All contributions are immediately vested. The Organization's contributions to this plan were \$14,213 and \$13,358 for the years ended June 30, 2016 and 2015, respectively.

RIVER BEND TRANSIT
Notes to Financial Statements

(8) Concentration of Credit Risk

The Organization routinely invests its cash not immediately needed for operations in money market mutual funds. Investments in money market funds are not insured or guaranteed by the U.S. Government, however, it is management's belief that credit risk related to these investments is minimal. Money market mutual funds, included with investments, were \$61,998 and \$39,035 as of June 30, 2016 and 2015, respectively.

The Organization regularly maintains balances in excess of the FDIC insured limit at a major financial institution. It is management's belief that credit risk related to these deposits is minimal.

(9) Major Customers

The Organization earns a substantial portion of its contract sales from certain major customers. Net sales and grants from these major customers for the year ended June 30, 2016 and 2015 and the related accounts receivable as of June 30, 2016 and 2015, were as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Net Sales</u>	<u>Receivable Balance</u>	<u>Net Sales</u>	<u>Receivable Balance</u>
Customer A	\$763,194	\$129,461	\$568,109	\$119,251

(10) Subsequent Events and Contingencies

River Bend Transit has evaluated subsequent events through October 14, 2016, the date the financial statements were available to be issued.

Effective July 1, 2016, the Organization entered into a contract with the Davenport Community School District to provide transportation services for special needs students and four year old student transportation. The total value of these services is estimated in the contract at approximately \$370,000.

On August 4, 2016, the Organization entered into a revolving line of credit agreement with Wells Fargo to provide up to \$1,000,000 of borrowing through August 1, 2017. The agreement has a variable rate of interest, but not less than 3.500% and is secured by all monies, securities, brokerage accounts, deposit accounts, and other property held at Wells Fargo. The loan is to be used to pay for recent bus purchases and will be paid down after reimbursement from the state. The state requires reimbursement of paid bills, and rather than liquidate securities, the Organization made the decision to borrow instead.

RIVER BEND TRANSIT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Expenditures
U.S. Department of Transportation/ Passed through Iowa Department of Transportation/ Capital Investment Assistance Project	20.509	85-X030-090-15	\$ 24,858
Non-Urban Operating Assistance Project	20.509	18-0031-090-16	246,413
Rural Transit Assistance Program	20.509	TF-15-010 thru TF-16-070	<u>5,961</u>
Total 20.509			<u>277,232</u>
New Freedom Operating Assistance Project	20.521	57-X005-090-13	<u>23,816</u>
Total federal awards expended			<u>\$301,048</u>

See accompanying notes to schedule of expenditures of federal awards.

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

The Board of Directors
River Bend Transit:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of River Bend Transit (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered River Bend Transit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of River Bend Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of River Bend Transit's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of River Bend Transit's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may

exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether River Bend Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

River Bend Transit's Response to Findings

River Bend Transit's response to the finding identified in our audit is described in the accompanying schedule of findings. River Bend Transit's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bettendorf, Iowa
October 14, 2016

Gabelmann & Associates, P.C.

RIVER BEND TRANSIT

Schedule of Findings

Year Ended June 30, 2016

Part I: Summary of Auditor's Results

Financial Statements

- (a) An unmodified opinion was issued on the financial statements.
- (b) The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (d) The audit did not disclose any noncompliance which is material to the financial statements.
- (e) River Bend Transit was not required to have an audit in accordance with the Office of Management and Guidance's (OMB) "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."

Part II: Findings Related to the Financial Statements

Significant Deficiency

2016-001 Segregation of Duties

Finding: The Organization is very conscious of internal controls related to segregation of duties and has implemented many controls to attempt to mitigate a risk of losses from employee errors and dishonesty due to a limited number of office personnel. However, even with significant mitigating controls in place, financial reporting, payroll processing and recording, and contract billing/reimbursement are primarily performed by the Director of Finance. From an internal control standpoint, this combination of duties is not conducive to adequate segregation of duties.

Recommendation: From a practical standpoint, strong segregation of duties related to confidential and/or sensitive data is not practical with a limited number of personnel. The Organization has implemented mitigating controls to compensate for a lack of segregation of duties such as Board approval of all disbursements, monthly financial report reviews including comparisons to budget, and periodic oversight of the daily activities by the Board and the Executive Director. Since strong segregation of duties is not practical, oversight is the primary mitigating control. As such, the Board and Management oversight should continue.

RIVER BEND TRANSIT

Schedule of Findings

Year Ended June 30, 2016

Part II: Findings Related to the Financial Statements, continued

Significant Deficiency, continued

2016-001 Segregation of Duties, continued

Response and Corrective Action Plan: Management will continue to investigate opportunities to further segregate financial responsibilities and the Board of Directors and the Finance Committee will continue to provide strong monitoring and oversight.

Conclusion: Response accepted.

Part III: Summary of Prior Year Audit Findings

2015-001 and 2015-002 Segregation of Duties

Comments still valid. Refer to current year finding 2016-001.